

Message Text

LIMITED OFFICIAL USE

PAGE 01 COPENH 03524 141526Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 EB-07 COME-00 TRSE-00 OMB-01 SIL-01 LAB-04
/071 W

-----141610Z 063986 /43

R 141240Z JUN 77
FM AMEMBASSY COPENHAGEN
TO SECSTATE WASHDC 4609
INFO AMEMBASSY OSLO
AMEMBASSY HELSINKI
AMEMBASSY REYKJAVIK
AMEMBASSY STOCKHOLM
AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE COPENHAGEN 3524

USEC

E.O.: 11652: N/A
TAGS: ELAB, ECIN, PINT, DA
SUBJ: PROBABLY STILL HIGHER TAXES IN AUGUST

REFS: (A) COPENHAGEN 3094; (B) COPENHAGEN 3486

SUMMARY: THE FOLKETING CLOSING DEBATE JUNE 2, HELD IN THE WAKE
OF PESSIMISTIC REPORTS ON THE STATE OF THE ECONOMY, PRODUCED
AGREEMENT THAT MEASURES TO IMPROVE THE DANISH ECONOMIC PERFOR-
MANCE MAY BE NEEDED BUT THAT NEITHER A KRONER DEVALUATION NOR A
VAT-INCREASE SHOULD BE CONSIDERED. MOST LIKELY, REMEDIES WILL BE
SOUGHT, IF NECESSARY, THROUGH MORE TAX INCREASES DESIGNED TO CURB
CONSUMER EXPENDITURE AND CURTAIL IMPORTS. THESE WILL PROBABLY BE
COUPLED WITH STIMULATIVE ASSISTANCE TO INDUSTRY IN AN ATTEMPT TO
REDUCE UNEMPLOYMENT. END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 COPENH 03524 141526Z

1. AS HAS BEEN REPORTED, PRIME MINISTER ANKER JORGENSEN CALLED A
SPECIAL SESSION OF THE FOLKETING FOR THE WEEK BEGINNING AUGUST
22 TO DEAL WITH THE ECONOMIC SITUATION. GLOOMY REPORTS ON DANISH
ECONOMIC PERFORMANCE BY THE SO-CALLED ECONOMIC WISEMEN AND THE
HUDSEN INSTITUTE (SEE REFTELS) HELPED TO MUTE THE OUTCRY FROM
THE LEADERS OF RIVAL POLITICAL PARTIES WHICH ORDINARILY WOULD
HAVE ACCOMPANIED SUCH AN ANNOUNCEMENT. THIS HAS BEEN INTERPRETED

AS A SIGN THAT THE POLITICAL LEADERS ARE AWARE THAT POLITICAL CO-OPERATION, NOT CONFRONTATION, WILL BE NEEDED TO COPE WITH THE PROBLEMS WHICH MAY CONFRONT PARLIAMENT IN AUGUST.

2. THE LOW-KEY CLOSING DEBATE OF FOLKETING BEFORE THE SUMMER RECESS ON JUNE 2 REFLECTED AGREEMENT AMONG THE POLITICIANS THAT THE SERIOUSNESS OF THE SITUATION CALLS FOR STRONG ACTION TO AVOID "FOREIGN DIRECTION OF THE DANISH ECONOMY," AS SOCIAL DEMOCRATIC SPOKESMAN SVEN AUKEN PHRASED IT. YET MOST PARTY SPOKESMEN, INCLUDING AUKEN, REFUSED TO BE RUSHED INTO WHAT THEY SAW AS A "PANIC REACTION," AND ALMOST ALL GAVE WARNING THAT THEY WOULD NOT CONSIDER A KRONER DEVALUATION A SUITABLE REMEDY.

3. AFTER THE WEEKLY CABINET MEETING JUNE 7, ANKER JORGENSEN ANNOUNCED THAT THE PURPOSE OF THE SPECIAL SESSION WAS MERELY "TO ENSURE THAT THE INCOMES POLICY PACKAGE OF AUGUST LAST YEAR WAS IMPLEMENTED," AND HE SPECIFICALLY CALLED FOR LONG-TERM MEASURES TO DEAL WITH UNEMPLOYMENT. IT APPEARS CLEAR THAT JORGENSEN IS AIMING AT A NEW "AUGUST COMPROMISE" TO INCLUDE ALL IMPORTANT ECONOMIC ISSUES AND MORE OF THE FOLKETING'S PARTIES THAN THE FOUR-PLUS-THE-CONSERVATIVES THAT CONSTITUTED THE AUGUST 1976 AGREEMENT. OVER THE NEXT WEEKS JORGENSEN WILL CONSULT WITH ALL OF THE 11 PARTIES IN THE CHAMBER EXCEPT THE JUSTICE PARTY, THE LEFT SOCIALISTS, COMMUNISTS AND GLISTRUP'S PROGRESSIVES.

4. THE "PROBLEM" OF THE AUGUST 1976 COMPROMISE WAS THAT IT DID NOT COVER A WIDE-ENOUGH ECONOMIC SPECTRUM. THE GOVERNING SOCIAL DEMOCRATS CONSEQUENTLY HAVE HAD TO ATTEMPT TO PIECE TOGETHER SHIFTING MAJORITIES ON A VARIETY OF INDUSTRIAL ISSUES. JORGENSEN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 COPENH 03524 141526Z

SAID HE WANTS TO STOP WHAT HE CALLED "THIS ZIGZAGGING."

5. PRESS SPECULATION ON THE MEASURES TO BE ADOPTED AT THE AUGUST 22 SPECIAL SESSION DISCOUNTS A VAT-INCREASE AS IMPROBABLE. INSTEAD, A SERIES OF TRADITIONAL TAX INCREASES IS HELD TO BE THE MORE LIKELY ALTERNATIVE.

6. HIGHER TAXES SHOULD BE "DESIGNED TO REDUCE EXPENSIVE IMPORTS," SAYS THE TRADE UNION FEDERATION (LO)-OWNED DAILY AKTUEL. IN THIS, THE PAPER ECHOES LO PRESIDENT THOMAS NIELSEN, WHO HAS CALLED FOR A SHARP INCREASE IN THE TAXES AND LEVIES ON PRIVATE AUTOMOBILES, ALREADY AMONG THE HIGHEST IN THE WORLD. ALSO A TAX ON "RAW" ENERGY, PROPOSED BUT POSTPONED IN AUGUST 1976, IS SEEN BY THE PRESS AS COMING UP AGAIN FOR SERIOUS CONSIDERATION.

7. THE RADICAL PARTY HAS ALREADY RESPONDED TO THE PRIME MINISTER'S CALL AND PUBLISHED A 30-POINT PLAN OF ITS OWN. THE PARTY BELIEVES IT POSSIBLE, THROUGH A SHORTENING OF THE WORK-WEEK, TO CUT UNEMPLOYMENT BENEFITS, CURRENTLY TOTALLING ABOUT DKR. 8 BILLION

(ABOUT DOLS. 1.3 BILLION) ANNUALLY. THE SAVINGS WOULD BE USED AS PREMIUMS AND LOANS TO INDUSTRY WILLING TO CREATE NEW JOBS. OTHER PARTIES ARE EXPECTED TO FOLLOW WITH THEIR OWN PLANS.

8. IN SUM, IT IS TOO EARLY TO ASSESS THE EFFECTIVENESS OF THE AUGUST 1976 COMPROMISE. IT HAS NOT YET BEEN POSSIBLE TO COMPILE STATISTICS ON WAGE DRIFT SINCE THE CONCLUSION OF THE NATIONAL COLLECTIVE AGREEMENT IN APRIL AND BALANCE OF PAYMENTS PERFORMANCE REMAINS UNCERTAIN. WITH HIGH UNEMPLOYMENT OVER SEVEN PERCENT (APRIL'S FIGURES SHOWED SMALL INCREASES OVER MARCH AND OVER THE SAME MONTH LAST YEAR), MEASURES TO REDUCE PRIVATE CONSUMPTION AND CURTAIL IMPORTS MAY BE DIFFICULT TO FIND. IF ECONOMIC PERFORMANCE IS NOT AS GOOD AS THE SUPPORTERS OF THE AUGUST 1976 COMPROMISE HOPED, LIBERAL LEADER HARTLING, WHO PREDICTED THE INEFFECTIVENESS OF THE MEASURES THEN TAKEN, MAY HAVE GOOD REASON FOR SELF-CONGRATULATION, BUT HE WILL FIND IT DIFFICULT TO USE THIS "SUCCESS" POLITICALLY. THE GOVERNING SOCIAL DEMOCRATS HAVE THEMSELVES TAKEN THE PRECAUTIONARY

LIMITED OFFICIAL USE

PAGE 04 COPENH 03524 141526Z

TIONARY MOVE OF CALLING THE SPECIAL PARLIAMENTARY SESSION IN AUGUST. FORTUNATELY, THE LEADERS OF THE CENTER PARTIES SEEM TO BE AWARE THAT IN SUCH A CASE PARLIAMENTARY COOPERATION OFFERS THE ONLY HOPE FOR ADOPTION OF EVEN MORE SEVERE ECONOMIC MEASURES. LUKENS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, ECONOMIC CONDITIONS, ECONOMIC DEVELOPMENT, TAXES
Control Number: n/a
Copy: SINGLE
Sent Date: 14-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977COPENH03524
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770212-0125
Format: TEL
From: COPENHAGEN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770660/aaaacapx.tel
Line Count: 143
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6ca6c97d-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 COPENHAGEN 3094, 77 COPENHAGEN 3486
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2166202
Secure: OPEN
Status: NATIVE
Subject: PROBABLY STILL HIGHER TAXES IN AUGUST
TAGS: ELAB, ECIN, PINT, DA
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/6ca6c97d-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009